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Date [REDACTED]

Surname [REDACTED]

[REDACTED]

Ladies and Gentlemen:

We have considered your application for recognition of exemption from federal income tax under section 501(c)(3) of the Internal Revenue Code.

Your stated purposes, as represented in your Articles of Incorporation, are "to lessen the burdens of government by owning and operating a professional minor league baseball team in or near [REDACTED], [REDACTED], and the operation of any related businesses." Your organization has a player development contract with the [REDACTED], a major league baseball franchise.

In furtherance of your purposes, your team participates in the [REDACTED] and plays a total of [REDACTED] games, including seventy home games. You conduct your home games in [REDACTED], which you lease from [REDACTED]. Your lease agreement allows you to sublease the stadium to a variety of community and nonprofit groups that conduct fundraising and other activities. You are solely responsible for the expense of maintaining and operating the stadium. The stadium can seat a total of [REDACTED] people.

You have stated that your organization is operated as a membership organization with membership certificates available to the general public for \$[REDACTED], with an annual renewal for \$[REDACTED]. Your membership elects your Board of Directors. Board members elect your officers. All Board members and officers serve voluntarily, and none receive any form of compensation for serving in their capacities.

You have further stated that since moving to your present stadium in [REDACTED] there is no government involvement in the financial affairs of your organization. Moreover, you indicate that government officials have not served on your Board of Directors since [REDACTED].

Your sources of revenue include the sale of single game and season tickets, advertising revenue, concession revenue, parking revenue, an affinity credit card program, and membership dues. Your total revenue in [REDACTED] amounted to \$[REDACTED]. Your

operating expenses in [REDACTED] totaled \$[REDACTED], leaving you with \$[REDACTED] in net income after facility and rent depreciation.

Section 501(c)(3) of the Code provides for the exemption from federal income tax of organizations organized and operated exclusively for charitable and educational purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(3)-1(d)(2) of the regulations states, in part, that the term "charitable" is used in section 501(c)(3) of the Code in its generally accepted legal sense and includes the lessening of the burdens of government.

Section 1.501(c)(3)-1(e)(1) of the regulations provides that an organization may meet the requirements of section 501(c)(3) although it operates a trade or business as a substantial part of its activities, if the operation of such trade or business is in furtherance of the organization's exempt purpose and if the organization is not organized and operated for the primary purpose of carrying on a trade or business.

Rev. Rul. 85-1, 1985-1 C.B. 177, sets out a two-part test for determining whether an organization's activities are lessening the burdens of government: first, whether the governmental unit considers the organization's activities to be its burden; and second, whether these activities actually lessen the burden of the governmental unit. An activity is a burden of government if there is an objective manifestation by the governmental unit that it considers the activities of the organization to be its burden. The interrelationship between the governmental unit and the organization may provide evidence that the governmental unit considers the activity to be its burden. Whether the organization is actually lessening the burdens of government is determined by considering all of the facts and circumstances.

It is a clearly established principle of the law of charity that a purpose is not charitable unless it is directed to the public benefit. Not every purpose which is beneficial to the community, however, is deemed charitable. As a general rule, providing services of a ordinary commercial nature in a community, even though the undertaking is conducted on a nonprofit basis, is not regarded as conferring a charitable benefit on the community unless the service directly accomplishes one of the established categories of charitable purposes.

An examination of financial data and other information provided by your organization, indicates that operation of a

[REDACTED]

commercial sports enterprise is your primary purpose. The entertainment services and activities provided by your organization to the general public, through your operation of a baseball team, are similar to those provided by competing sports businesses.

That your primary purpose is to operate a business is further reflected in your sources of revenue. Your income derived from advertising, concession sales, parking, affinity card program and ticket sales is clear evidence that you are engaged in activities that are similar to the operation of an ordinary commercial business.

Moreover, you have not provided sufficient evidence of government involvement in your operation such that we could conclude that your activities are lessening the burdens of government. You have not established that there is an interrelationship between government and your organization. You have indicated that since moving to your present location government has had no involvement in the financial affairs of your organization. Moreover, you have stated that government officials have not served on your Board of Directors since [REDACTED].

Based on our analysis of all the facts and circumstances, we have determined that you are primarily organized and operated for business purposes rather than lessening the burdens of government within the meaning of section 1.501(c)(3)-1(d)(2) of the regulations. Accordingly, it is our conclusion that you are not both organized and operated exclusively for one or more purposes as specified in section 501(c)(3) of the Code and therefore, you are not entitled to be recognized as exempt from federal income tax under section 501(c)(3) of the Code.

You have the right to protest this ruling if you believe it is incorrect. To protest, you should submit a statement of your views, with a full explanation of your reasoning. This statement, signed by one of your principal officers, must be submitted in duplicate within 30 days from the date of this letter. You also have a right to a conference in this office after your statement is submitted. You must request the conference, if you want one, when you file your protest statement. If you are to be represented by someone who is not one of your officers, that person will need to file a proper power of attorney and otherwise qualify under our Conference and Practices Requirements.

If you do not protest this ruling in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section

[REDACTED]

7428(b)(2) of the Code provides in part, that a declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Claims Court, or the District Court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service.

If we don't hear from you within 30 days, this ruling will become final and copies will be forwarded to the District Director, Dallas, Texas. Thereafter, any questions about your federal income tax status, or the filing of tax returns should be addressed to that office. Also, the appropriate state officials will be notified of this action in accordance with section 6140(c) of the Code.

Sincerely,

[REDACTED]
[REDACTED]
Chief, Exempt Organizations
[REDACTED]

cc: [REDACTED]

Attn: EO Group

cc: [REDACTED]

[REDACTED]	[REDACTED]		
[REDACTED]	[REDACTED]		
[REDACTED]	[REDACTED]		
[REDACTED]	[REDACTED]		